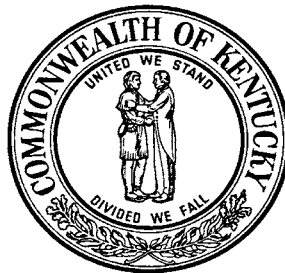


**REPORT OF THE AUDIT OF THE  
BATH COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES**

**May 10, 2002**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Donald Maze, Bath County Judge/Executive  
Honorable Randall Armitage, Bath County Sheriff  
Members of the Bath County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Bath County Sheriff's Settlement - 2001 Taxes.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Bath County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**AUDIT EXAMINATION OF THE  
BATH COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES**

**May 10, 2002**

**Berger & Ross, PLLC**  
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Louisville, KY 40299-1837  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**BATH COUNTY**  
**SHERIFF'S SETTLEMENT - 2001 TAXES**

**May 10, 2002**

Berger & Ross, PLLC has completed the audit of the Sheriff's Settlement - 2001 Taxes for Bath County Sheriff as of May 10, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

Sheriff collected net taxes of \$1,876,919 for the districts for 2001 taxes. Sheriff distributed taxes of \$1,875,533 to the districts for 2001 Taxes. Refunds of \$86 are due to the Sheriff from the taxing districts.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



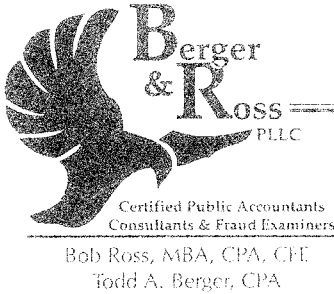


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Association of Tax-Exempt Accounting Firms  
Chartered Accountants Association  
National Association of Certified Public Accountants  
National Association of Tax Exempt Accountants  
Governmental Finance Officers Association

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Donald Maze, Bath County Judge/Executive  
Honorable Randall Armitage, Bath County Sheriff  
Members of the Bath County Fiscal Court

#### Independent Auditor's Report

We have audited the Bath County Sheriff's Settlement - 2001 Taxes as of May 10, 2002. This tax settlement is the responsibility of the Bath County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Bath County Sheriff's taxes charged, credited, and paid as of May 10, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Donald Maze, Bath County Judge/Executive  
Honorable Randall Armitage, Bath County Sheriff  
Members of the Bath County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
July 19, 2002

BATH COUNTY  
RANDALL ARMITAGE, SHERIFF  
SHERIFF'S SETTLEMENT - 2001 TAXES

May 10, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 220,507	\$ 414,828	\$ 675,418	\$ 270,166
Tangible	9,777	17,449	32,062	37,092
Intangible	-	-	-	4,316
Total Per Sheriff's Official Receipt	\$ 230,284	\$ 432,277	\$ 707,480	\$ 311,574
<u>Other Taxes and Charges</u>				
Bank Shares	33,591	-	-	-
Correcting Erroneous Assessments	-	-	-	3,209
Penalties & Interest	2,491	4,694	7,644	3,180
Franchise Corporation	57,324	103,336	186,213	-
Gross Chargeable to Sheriff	\$ 323,690	\$ 540,307	\$ 901,337	\$ 317,963
<u>Credits</u>				
Exonerations	\$ 2,528	\$ 4,711	\$ 7,880	\$ 9,361
Delinquents	10,437	19,473	32,052	13,567
Unpaid Franchise	3	138	14	-
Discounts	3,730	5,734	9,396	4,184
Total Credits	\$ 16,698	\$ 30,056	\$ 49,342	\$ 27,112
Net Tax Yield	\$ 306,992	\$ 510,251	\$ 851,995	\$ 290,851
Less: Commissions*	13,335	21,278	34,080	12,649
Taxes Due Districts	\$ 293,657	\$ 488,973	\$ 817,915	\$ 278,202
Less: Taxes Paid	293,229	488,144	816,569	277,591
Less: Refunds (Current & Prior Year)	438	848	1,386	628
		**		
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	\$ (10)	\$ (19)	\$ (40)	\$ (17)

The accompanying notes are an integral part of this financial statement.

BATH COUNTY  
RANDALL ARMITAGE, SHERIFF  
SHERIFF'S SETTLEMENT - 2001 TAXES  
May 10, 2002  
(Continued)

\*Commissions:

10% on	\$	10,000
4.25% on	\$	935,096
4% on	\$	1,014,990

\*\*Special Taxing Districts:

Ambulance District	\$	(9)
Health District		(4)
Extension District		<u>(6)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(19)</u></u>
--	----	--------------------

BATH COUNTY  
NOTES TO FINANCIAL STATEMENT

May 10, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 10, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

BATH COUNTY  
NOTES TO FINANCIAL STATEMENT  
May 10, 2002  
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 2001 through May 10, 2002.

Note 4. Interest Income

The Bath County Sheriff earned \$1,307 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Bath County Sheriff collected \$13,183 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

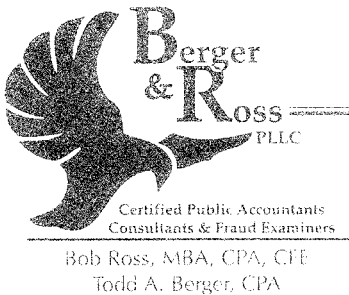
Note 6. Advertising Costs And Fees

The Bath County Sheriff collected \$318 of advertising costs allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.



REPORT ON COMPLIANCE  
AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Bath County Sheriff's Settlement - 2001 Taxes as of May 10, 2002, and have issued our report thereon dated July 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bath County Sheriff's Settlement - 2001 Taxes as of May 10, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bath County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
July 19, 2002

